

Message Text

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12

ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 (ISO) W
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R 171415Z JUL 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 5783

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USINT BAGHDAD

LIMITED OFFICIAL USE KUWAIT 3400

E.O. 11652: N/A

TAGS: ENRG KU

SUBJ: KUWAIT OIL PRICE AND PRODUCTION

1. DURING MY INITIAL CALL ON KUWAIT OIL MINISTER ABDUL MUTTALEB

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AL-KAZIMI, OUR DISCUSSION TURNED TO RECENT PRICE DECREASE FOR

KUWAITI HEAVY CRUDE. WHEN I ASKED WHETHER THIS DECREASE OF SEVEN CENTS TO \$11.23 PER BARREL APPEARED SUFFICIENT TO PROMOTE SALES DESIRED, KAZIMI INDICATED THERE MAY HAVE TO BE ANOTHER REDUCTION OF 10 CENTS. THIS WOULD NOT TAKE PLACE UNTIL THE DECEMBER OPEC MEETING AND MIGHT BE LESS THAN 10 CENTS DEPENDING UPON ANY OVER-ALL INCREASE IN OIL PRICES DECIDED UPON BY OPEC. IN ANY EVENT, KUWAIT WOULD SEEK TO MAINTAIN AN APPROPRIATE DIFFERENTIAL TO KEEP ITS CRUDE PRICES COMPETITIVE.

2. ON THE SUBJECT OF THE GAS UTILIZATION PROJECT TO PRODUCE LPG PRESENTLY UNDER CONSTRUCTION, KAZIMI INDICATED THAT SOME THOUGHT IS BEING GIVEN TO REDUCING THE SIZE OF THE FACILITY. THIS IS RELATED TO THE QUESTION OF THE EVENTUAL LEVEL TO BE DETERMINED FOR KUWAITI CRUDE OIL PRODUCTION. PRODUCTION OF THREE MILLION BPD WOULD BE NECESSARY TO PROVIDE ASSOCIATED GAS NEEDED TO SUPPLY GAS UTILIZATION PROJECT WHEN IT GOES INTO PRODUCTION IN 1978. HOWEVER, QUESTION OF WHETHER KUWAIT SHOULD KEEP ITS PRODUCTION LOW TO CONSERVE ITS RESERVES OR INCREASE ITS PRODUCTION IN ORDER TO FINANCE A MORE RAPID DEVELOPMENT PROGRAM HAS NOT YET BEEN RESOLVED.

3. WHILE SOME RATHER VOCAL ELEMENTS IN THE NATIONAL ASSEMBLY FAVORED LOWER PRODUCTION LEVELS. KAZIMI HIMSELF SAID HE WOULD PREFER TO PRODUCT AT THREE MILLION BPD LEVEL BECAUSE HE FELT THAT MORE INCOME WAS NEEDED FOR CAPITAL INVESTMENT AT THIS STAGE OF KUWAIT'S DEVELOPMENT. LATER THE RETURN FROM THESE PROJECTS AND FROM KUWAIT'S FINANCIAL INVESTMENTS OUTSIDE WOULD PROVIDE NEEDED INCOME AS KUWAIT OIL RESERVES BEGAIN TO DWINDLE. IN ANY EVENT, HE NOTED THAT KUWAIT'S WERE ESTIMATED TO LAST FOR 70 YEARS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, PRODUCTION, LPG, PRICES, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUWAIT03400
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760276-0816
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760747/aaaabpko.tel
Line Count: 90
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by greeneet>; APPROVED <25 MAR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAIT OIL PRICE AND PRODUCTION
TAGS: ENRG, KU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006